

Demonstration Project Newsletter



Department of Commerce Demonstration Project Office of Human Resources Management

Federal Register Notice Announces Demonstration Project Changes

On September 30, 1999, the Office of Personnel Management published a Federal Register Notice announcing several changes to the Department of Commerce (DoC) Personnel Management Demonstration Project. The changes will be effective for the performance appraisal cycle that begins on October 1, 1999. Following is an explanation of the changes and the rationale behind them.

1. Elimination of the assignment of numerical ranks from the performance payout process

Current policy requires that rating officials rate their employees and submit their recommended ratings and rankings to the pay pool manager. Pay pool managers make final determinations on scores recommended by subordinate

rating officials and rank employees within the pay pool. All employees having the same score receive the same rank. Using rankings as a guide, pay pool managers make performance pay decisions for all employees in the pay pool. Within a pool, an employee may not receive a higher relative pay increase than a higher-ranking employee or a lower relative increase than a lower-ranking employee.

Rankings have been a major concern for many employees who believe that assigning numerical rankings fosters divisive competition in the work environment and undermines efforts to promote teamwork. For these reasons, the Departmental Personnel Management Board (DPMB) approved a policy change that eliminates the assignment of numerical ranks as a factor associated with payout decisions. Instead, an employee's payout will be tied to the employee's relative score within a pay pool and the pay

increase ranges in the performance pay tables.

2. Close-Out Ratings

Under current policy, employees who are promoted or reassigned with a pay adjustment within the last 120 days of the rating cycle are considered unratable. Because they are unratable and receive no performance score, these employees are also ineligible for performance-based reduction-in-force (RIF) credit. Since these employees are typically among the highest-performing employees, denying them the opportunity to earn additional RIF credit is inconsistent with the treatment of other employees under the project.

To ensure equitable treatment of all high-performing employees, the DPMB approved a modification to the project plan to require that supervisors prepare close-out ratings of employees who are promoted or reassigned with a pay

adjustment within the last 120 days of the rating cycle. The rating (approved by the responsible pay pool manager) will serve as the rating of record for the current appraisal cycle, and the resulting score will be considered in determining eligibility for RIF credit.

3. Expansion of RIF Credit

Prior to conversion to the Demonstration Project, employees expressed concern that many high-performing employees would not receive additional RIF credit under the demonstration project. In response to these concerns, the DPMB expanded the percentage of employees eligible for RIF credit from the top 10 percent to the top 20 percent of scores in a pay pool. This change was effected prior to implementation of the project.

The results of the first performance appraisal cycle indicate that current policy on awarding additional performance-based RIF credit under the project still does not provide a fair and equitable basis for recognizing the value of performance contributions made by many high-performing employees. As a result, some employees whose performance is above average may receive no benefit of performance-based RIF credit. Also, loss of a mechanism for recognizing these employees' valuable contributions through earned RIF credit has created a morale issue.

To address this situation, the DPMB authorized modification of Demonstration Project policy to further expand RIF credit to encompass all employees whose scores are within the top 30 percent of scores in a pay pool. These employees will earn a total

of 10 years of credit for the rating cycle and could accumulate a maximum of 30 years.

4. Clarification of Bonus Criteria

Demonstration Project policy requires that bonuses be linked to the annual performance appraisal and that they be awarded at the end of the performance year in conjunction with decisions on pay increases. However, after the first appraisal period, there was no consistency across organizational lines in how bonuses were awarded, and absent any definitive guidance, inconsistency in awarding bonuses will likely be a continuing concern for employees. To ensure greater consistency in the awarding of bonuses, the DPMB authorized the inclusion of guidance on awarding bonuses in the Demonstration Project Operating Procedures. The guidance is as follows:

Pay pool managers are delegated the authority to award bonuses in amounts up to the \$10,000 limit (per employee) in accordance with the following general guidelines and any additional supplementary guidance issued by the governing Operating Personnel Management Board:

(a) Bonuses may be used to reward employees for special accomplishments not specifically covered by their performance plans (e.g., special projects or assignments performed as a member of special task forces).

(b) Bonuses may be used to reward performance that is covered by the performance plan which is worthy of performance pay increase, but because of its value to the organization, is also worthy of a cash award.

(c) Bonuses may be used to

reward deserving employees who cannot be granted a performance pay increase because their salaries are already at the maximum rates of their bands.

Many aspects of the Demonstration Project are experimental. Additional changes to the Project may be made as experience is gained, results are analyzed, and conclusions are reached on how the system is working. Employees in participating organizations will be kept informed of all changes.

Questions about the changes described above should be directed to Darlene Haywood, DoC Demonstration Project Manager at (202) 482-3620. Alternatively, employees may contact their servicing human resources management office or line office representative as indicated below:

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